

**AuTrain-Onota Public School District
Deerton, MICHIGAN**

**FINANCIAL STATEMENTS
For the Year Ended June 30, 2006**

TABLE OF CONTENTS

Independent Auditors' Report.....	3
Management's Discussion and Analysis	5

BASIC FINANCIAL STATEMENTS

District-wide Financial Statements

Statement of Net Assets.....	12
Statement of Activities	13

Fund Financial Statements

Governmental Funds:	
Balance Sheet	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets.....	15
Statement of Revenues, Expenditures and Changes in Fund Balance	16
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities.....	17
Notes to Financial Statements	18

REQUIRED SUPPLEMENTAL INFORMATION

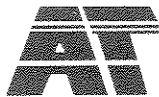
General Fund – Budgetary Comparison Schedule	30
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OTHER SUPPLEMENTAL INFORMATION

General Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	32
Nonmajor Special Revenue Funds – School Lunch Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	39

COMPLIANCE SECTION

Report on Compliance and Other Matters and on Internal Control over Financial Reporting Based on an audit of Financial Statements Performed in Accordance With <i>Governmental Auditing Standards</i>	41
Report to Management Letter.....	42



ANDERSON, TACKMAN & COMPANY, P.L.C.

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INDEPENDENT AUDITORS' REPORT

Board of Education
AuTrain-Onota Public School District
PO Box 105
Deerton, Michigan 49822

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the AuTrain-Onota Public School District, as of and for the year ended June 30, 2006, which collectively comprise the AuTrain-Onota Public School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the AuTrain-Onota Public School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the AuTrain-Onota Public School District as of June 30, 2006, and the respective changes in financial position where applicable thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2006 on our consideration of the AuTrain-Onota Public School District's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of Education
AuTrain-Onota Public School District
PO Box 105
Deerton, Michigan 49822

The management's discussion and analysis and budgetary comparison information on pages 5 through 11 and 30 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the AuTrain-Onota Public School District's basic financial statements. The combining and individual fund financial statements and schedules are presented for the purpose of additional analysis and are not a required part of the basic financial statement. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

September 29, 2006

AuTrain-Onota Public School District Management's Discussion and Analysis (Unaudited)

Our discussion and analysis of AuTrain-Onota Public School District financial performance provides an overview of the School District's financial activities for the year ended June 30, 2006. Please read it in conjunction with the financial statements, which begin on page 12.

FINANCIAL HIGHLIGHTS

- Net assets for AuTrain-Onota Public School District as a whole were reported at \$433,312. Net assets are comprised of 100% governmental activities.
- During the year, AuTrain-Onota Public School District expenses were \$657,853, while revenues from all sources totaled \$694,777, resulting in an increase in net assets of \$36,924.
- The general fund reported an increase of \$64,412 before other financing sources (uses) and a total increase of \$50,488. This is \$6,441 or 15% higher than the forecasted increase of \$44,047.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand AuTrain-Onota Public School District financially as a whole. The *District-wide Financial Statements* Statement of Net Assets and the Statement of Activities (on pages 12 and 13) provide information about the activities the School District as a whole and present a longer-term view of those finances. The fund financial statements present the next level of detail and start on page 14. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. The fund financial statements also report the School District's operations in more detail than the district-wide statements by providing information about the School District's most significant fund – the General Fund, with all other funds presented in one column as nonmajor funds.

Reporting the School District as a Whole – *District-wide Financial Statements*

Our analysis of the AuTrain-Onota Public School District as a whole begins on page 6. One of the most important questions asked about the School District's finances is "As a whole, what is the School District's financial condition as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the School District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in them. The School District's net assets – the difference between assets and liabilities – are one way to measure the School District's financial health, or financial position. Over time, increases or decreases in the School District's net assets – as reported in the Statement of Activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as private-sector companies do. One must consider other non-financial factors, such as the quality of education provided, the safety of the schools and the condition of the School District's capital assets, to assess the overall financial health of the School District.

Management's Discussion and Analysis (Unaudited) (Continued)

The Statement of Net Assets and Statement of Activities report the governmental activities for the School District, which encompass all the School District's services, including instruction, supporting services, and food services. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and Federal grants finance most of these activities.

Reporting the School District's Most Significant Funds – *Fund Financial Statements*

Our analysis of the School District's major funds begins on page 8. The fund financial statements begin on page 14 and provide detailed information on the most significant funds – not the School District as a whole. Some funds are required to be established by State law, and by bond covenants. However, the School District's Board has established other funds to help it control and manage money for particular purposes. The School District's *governmental* funds use the following accounting methods.

- Governmental funds** – All of the School District's services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and Statement of Activities) and governmental funds in a reconciliation which follows the fund financial statements.

The School District as a Whole

Table 1 provides a summary of the School District's net assets as of June 30, 2006 and 2005:

Table 1 Net Assets		
	Governmental Activities – 2006	Governmental Activities – 2005
Current and other assets	\$339,314	\$272,216
Capital assets, net	198,265	205,213
Total Assets	537,579	477,429
Current liabilities	81,803	48,665
Long-term liabilities	22,464	31,044
Total Liabilities	104,267	79,709
Net Assets:		
Invested in capital assets, net of related debt	181,703	178,342
Restricted	-	-
Unrestricted	251,609	218,046
Total Net Assets	\$433,312	\$396,388

Management's Discussion and Analysis (Unaudited) (Continued)

The School District's net assets were \$433,312 at June 30, 2006. Capital assets, net of related debt totaling \$181,703, compares the original cost, less depreciation of the School District's capital assets to long-term debt, including accreted interest on capital appreciation bonds, used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net assets of \$251,609 was unrestricted.

The \$251,609 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal years 2006 and 2005.

TABLE 2
CHANGE IN NET ASSETS

	Governmental Activities – 2006	Governmental Activities – 2005
Revenues:		
Program revenues:		
Charges for services	\$4,773	\$8,016
Operating grants and contributions	96,445	108,772
General revenues:		
Property taxes	564,725	513,066
Investment earnings	10,099	4,206
Miscellaneous	18,735	38,987
Total Revenues	<u>694,777</u>	<u>673,047</u>
Program Expenses:		
Instruction	331,692	299,389
Supporting services	272,830	273,395
Community Services	11,234	10,225
Payments to other governmental units	4,771	6,811
Food service activities	37,326	30,518
Total Expenses	<u>657,853</u>	<u>620,338</u>
Increase (decrease) in net assets	36,924	52,709
Net assets, beginning	<u>396,388</u>	<u>343,679</u>
Net Assets, Ending	<u>\$433,312</u>	<u>\$396,388</u>

As reported in the Statement of Activities, the cost of all of our governmental activities this year was \$657,853. Certain activities were partially funded from those who benefited from the programs \$4,773 or by other governments and organizations that subsidized certain programs with grants and contributions \$96,445. We paid for the remaining "public benefit" portion of our governmental activities with \$564,725 in taxes and with our other revenues, such as interest and general entitlements.

The School District experienced an increase in net assets for the year of \$36,924.

Management's Discussion and Analysis (Unaudited) (Continued)

Key reasons for change in net assets are as follows:

- Net increase in governmental fund balances of \$50,469
- Depreciation charged to expense of \$(14,066)
- Capital Outlay reclassified to Capital Assets \$7,118
- Debt Proceeds reclassified to Long Term Liabilities \$(5,752)
- Repayment of principal from expense to Long Term Liabilities \$17,393
- Change in accrued interest payable \$53
- Change in compensated absences \$(18,291)

Table 3 presents the cost of each of the School District's largest activities as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each function placed on the School District's operation.

Table 3
Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$331,692	\$261,109
Supporting services	272,830	272,830
Community Services	11,234	3,982
Payments to other governmental units	4,771	4,771
Food service activities	37,326	13,943

The net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of the School District's operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available financial resources.

The School District's Funds

As noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As the School District completed the year, its governmental funds (as presented in the balance sheet on page 14) reported a combined fund balance of \$274,398, an increase of \$50,469 from the beginning of the year.

The change in combined fund balance was a result of AuTrain-Onota Public Schools making a conscious effort to try and reduce spending to maintain a fund balance that will assist the School in remaining financially stable for the upcoming year.

General Fund Budgetary Highlights

Over the course of the year, the School District's Board revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

Changes to the General Fund original budget occurred during the annual budget reviews in January and June 2006.

Management's Discussion and Analysis (Unaudited) (Continued)

BUDGETED REVENUES

General Fund Revenues changed from original to final budget during the year as follows:

	Original Budget	Final Budget	Budget Variance	
			Amount	Percent
Total	<u>\$ 574,747</u>	<u>\$669,468</u>	<u>\$94,721</u>	<u>16%</u>

AuTrain-Onota Public School's final budgeted revenues differed from the original budget as follows:

The significant increase in revenue can be attributed mainly to grants and an increase in property tax revenues, which were received as homestead denials and tax commission orders. Grant revenues are recognized on the financial statements once the School District receives formal notice of the award and approval from the grantor. Minimal grants were awarded at the time of the original budget whereas all grants were awarded and approved by the time of the final budget.

BUDGETED EXPENDITURES

General Fund expenditures changed from the original to final budget during the year as follows:

	Original Budget	Final Budget	Budget Variance	
			Amount	Percent
Total	<u>\$610,440</u>	<u>\$610,592</u>	<u>\$152</u>	<u>1%</u>

AuTrain-Onota Public School's final budgeted expenditures differed from the original budget as follows:

The minimal increase in expenditures can be attributed to making a conscious effort to reduce spending, while at the same time adding specific expenditures related to grant approvals.

ACTUAL REVENUES

The General Fund actual revenues differed from the final budget as follows:

	Final Budget	Actual	Budget Variance	
			Amount	Percent
Total	<u>\$669,468</u>	<u>\$671,394</u>	<u>\$1,926</u>	<u>1%</u>

AuTrain-Onota Public School's final budgeted revenues differed from the actual revenues as follows:

The slight increase in actual revenue can be attributed to homestead denial property taxes distributed to and received by the District at year-end.

Management's Discussion and Analysis (Unaudited) (Continued)

ACTUAL EXPENDITURES

General Fund actual expenditures differed from the final budget as follows:

	Final Budget	Actual	Budget Variance	
			Amount	Percent
Total	\$610,592	\$606,982	\$3,610	1%

AuTrain-Onota Public School's final budgeted expenditures differed from the actual revenues as follows:

The slight decrease in actual expenditures can be attributed to a purchased services cost and several expenditure costs actually being lower than budget projections.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2006 and 2005, the School District had \$ 198,265 and \$ 205,213, respectively invested in a variety of capital assets including land, buildings, and buses. (See table 4 below)

TABLE 4
Capital Assets

	Governmental Activities – 2006	Governmental Activities – 2005
Land	\$1,365	\$-
Land improvements	10,700	10,700
Buildings	378,255	378,255
Equipment and furnishings	5,753	-
Buses	100,924	100,924
Capital Assets	496,997	489,879
Less accumulated depreciation	(298,732)	(284,666)
Totals	\$198,265	\$ 205,213

The School District purchase a new photo copier for \$5,753 through a lease purchase agreement and added \$1,365 in land value never recorded on the records. We anticipate capital additions for the 2006-2007 fiscal years will be comparable to the 2005-2006 fiscal years. Depreciation expense for the year was \$14,066.

Debt

At June 30, 2006 and 2005, the School District had bonds outstanding as depicted in Table 5 below.

Table 5
Outstanding Debt at Year-End

	Governmental Activities – 2006	Governmental Activities – 2005
Notes Payable	\$2,876	\$-
School Bus Loan	13,686	26,871
TOTAL	\$16,562	\$26,871

Management's Discussion and Analysis (Unaudited) (Continued)

There was one new addition in the current year relating to the lease purchase of the new copier. We present more detailed information about our long-term debt in the notes in the financial statements.

Economic Factors and Next Year's Budgets

Our elected officials and administration consider many factors when setting the School District's fiscal year 2007 budget. One of the most important factors affecting the budget is the collection of local property taxes. Local property taxes account for approximately 80 percent of our revenue.

The collection of revenues by the State can also affect the School District's general operation budget as it did in 2006. School districts throughout the state must adjust their budgets if the State decreases the pupil foundation grant or categorical funding during its fiscal year. While we are optimistic about the 2006-07 school years, the state of the economy on a state and national level will be reflected in our budget.

Contacting the School District's Financial Management

This financial report is designed to provide the School District's citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the AuTrain-Onota Public School District Administration, P.O. Box 105, Deerton, Michigan, 49822.

AuTrain-Onota Public School District

Statement of Net Assets

June 30, 2006

	<u>Governmental Activities</u>
ASSETS:	
Current assets:	
Cash and cash equivalents	\$ 313,416
Receivables:	
Accounts receivable	291
Due from other governmental units	25,084
Inventories	523
	<hr/>
TOTAL CURRENT ASSETS	339,314
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Non-current assets:	
Land and construction in progress	1,365
Capital assets	495,632
Less accumulated depreciation	(298,732)
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TOTAL NON-CURRENT ASSETS	198,265
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TOTAL ASSETS	537,579
	<hr/>
LIABILITIES:	
Current liabilities:	
Accounts payable	7,655
Accrued liabilities	45,041
Accrued interest	325
Current portion of long term debt obligations	16,562
Deferred revenue	12,220
	<hr/>
TOTAL CURRENT LIABILITIES	81,803
	<hr/>
Non-current liabilities:	
Non-current portion of long term debt obligations	-
Non-current portion of employee benefit obligations	22,464
	<hr/>
TOTAL NON-CURRENT LIABILITIES	22,464
	<hr/>
TOTAL LIABILITIES	104,267
	<hr/>
NET ASSETS:	
Invested in capital assets net of related debt	181,703
Unrestricted	251,609
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TOTAL NET ASSETS	\$ 433,312
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See Notes to Financial Statements.

AuTrain-Onota Public School District

Statement of Activities

For the Year Ended June 30, 2006

Function / Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 331,692	\$ -	\$ 70,583	\$ (261,109)
Supporting services	272,830	-	-	(272,830)
Community services	11,234	-	7,252	(3,982)
Payments to others	4,771	-	-	(4,771)
Food service activities	37,326	4,773	18,610	(13,943)
TOTAL GOVERNMENTAL ACTIVITIES	657,853	4,773	96,445	(556,635)
General revenues:				
Taxes				
Property taxes, levied for general purposes				564,725
State Aid not restricted to specific purposes				-
General				10,099
Interest and investment earnings				18,735
Miscellaneous				
TOTAL GENERAL REVENUES				593,559
CHANGES IN NET ASSETS				36,924
Net Assets , July 1				396,388
NET ASSETS, JUNE 30				\$ 433,312

See Notes to Financial Statements.

AuTrain-Onota Public School District

Governmental Funds

Balance Sheet

June 30, 2006

	General Fund	Other Non-major Governmental Funds (Lunch Fund)	Total
ASSETS			
Cash and cash equivalents	\$ 315,870	\$ -	\$ 315,870
Receivables:			
Accounts receivable	127	164	291
Due from other governmental units	23,171	1,913	25,084
Due from other funds	-	-	-
Inventories	-	523	523
TOTAL ASSETS	<u>\$ 339,168</u>	<u>\$ 2,600</u>	<u>\$ 341,768</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Overdraft - cash and cash equivalents	\$ -	\$ 2,454	\$ 2,454
Accounts payable	7,527	128	7,655
Accrued liabilities	45,023	18	45,041
Due to other funds	-	-	-
Deferred revenue	12,220	-	12,220
TOTAL LIABILITIES	<u>64,770</u>	<u>2,600</u>	<u>67,370</u>
FUND BALANCES:			
Unreserved	<u>274,398</u>	<u>-</u>	<u>274,398</u>
TOTAL FUND BALANCES	<u>274,398</u>	<u>-</u>	<u>274,398</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 339,168</u>	<u>\$ 2,600</u>	<u>\$ 341,768</u>

See Notes to Financial Statements.

AuTrain-Onota Public School District

Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets

June 30, 2006

Total Fund Balances for Governmental Funds	\$	274,398
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*Amounts reported for governmental activities in the statement
of net assets are different because:*

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds.

Cost of capital assets	496,997	
Accumulated depreciation	<u>(298,732)</u>	
		198,265

Long-term liabilities are not due and payable in the current period and are
not reported in the funds. Long-term liabilities at year-end consist of:

Accrued Interest Payable	325	
Current portion of long term debt obligations	16,562	
Non-current portion of long term debt obligations	-	
Non-current portion of employee benefit obligations	<u>22,464</u>	
		(39,351)

NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$	433,312
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433,312

AuTrain-Onota Public School District

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balance

For the Year Ended June 30, 2006

	General Fund	Other Non-major Governmental Funds (Lunch Fund)	Total
REVENUES:			
Federal sources	\$ 31,892	\$ 16,162	\$ 48,054
State sources	33,856	2,448	36,304
Local sources:	605,646	4,773	610,419
TOTAL REVENUES	<u>671,394</u>	<u>23,383</u>	<u>694,777</u>
EXPENDITURES:			
Current:			
Instruction	313,401	-	313,401
Supporting Services	277,576	-	277,576
Community Services	11,234	-	11,234
Payments to others	4,771	-	4,771
Food service activities	-	37,326	37,326
TOTAL EXPENDITURES	<u>606,982</u>	<u>37,326</u>	<u>644,308</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>64,412</u>	<u>(13,943)</u>	<u>50,469</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	-	13,924	13,924
Transfers (out)	(13,924)	-	(13,924)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(13,924)</u>	<u>13,924</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>50,488</u>	<u>(19)</u>	<u>50,469</u>
Fund Balance, July 1	<u>223,910</u>	<u>19</u>	<u>223,929</u>
FUND BALANCE, JUNE 30	<u><u>\$ 274,398</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 274,398</u></u>

See Notes to Financial Statements.

AuTrain-Onota Public School District

Governmental Funds

**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures
and Changes in Fund Balance to the Statement of Activities**

For the Year Ended June 30, 2006

Net Change in Fund Balances - Total Governmental Funds	\$	50,469
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*Amounts reported for governmental activities in the statement
of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Depreciation expense	(14,066)	
Capital outlays - Supporting Services	<u>7,118</u>	(6,948)

Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net assets.	(5,752)
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	17,393
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Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements an interest expenditures is reported when due	53
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Some expense reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(18,291)
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Change in Net Assets of Governmental Activities	\$	<u>36,924</u>
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AUTRAIN-ONOTA PUBLIC SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE A – THE FINANCIAL REPORTING ENTITY:

The School District operates under an elected Board of Education of five (5) members, which are elected across the District to establish programs and policies.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the financial position of the AuTrain-Onota Public Schools. The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

Based upon the application of these criteria, the financial statements of the AuTrain-Onota Public Schools contain all the funds controlled by the School District's Board of Education as no other entity meets the criteria to be considered a component unit of the School District nor is the School District a component unit of another entity.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

BASIS OF PRESENTATION

District-Wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the School District as a whole. They include all funds of the School District except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through State sources, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. All of the School District's district-wide activities are considered to be governmental activities.

Fund Financial Statements:

The accounts of the School District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report into two major categories: governmental and proprietary categories. An emphasis is placed on major funds within the governmental and proprietary categories. The General Fund is always considered a major fund and the remaining funds of the School District are considered major if it meets the following criteria:

- a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The School District reports the General Fund as its only major governmental fund in accordance with the above criteria. The funds of the School District are described below:

Governmental Funds

General Fund – The General Fund is the main operating fund and accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – The special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including major capital projects), such as the School Service.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the district-wide Statement of Net Assets and the Statement of Activities, governmental activities are presented using the economic resource measurement focus as defined in item (b) below. In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable resources at the end of the period.

Basis of Accounting

In the district-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Expenditures, including capital outlay, are recorded when the related liability is incurred, except for principal and interest on general long-term debt and accrued compensated absences, which are reported when due.

Cash and Equivalents

The School District cash and cash equivalents as reported in the Statement of Net Assets are considered to be cash on hand, demand deposits, certificates of deposit and short-term investments with maturities of three months or less.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Investments

Investments are carried at market value.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Due From and To Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Inventory

Inventories are stated at cost, on a first-in, first-out basis, which approximates market value. Inventory recorded in the General Fund consists of centrally warehoused teaching and operating supplies for the School District. The School Lunch Fund consists of food and paper goods. For other funds, expenditures are recorded at the time of use.

Capital Assets

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and any assets susceptible to theft. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized.

The School District does not have infrastructure-type assets.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings and additions	20 – 50 years
Buses and other vehicles	5 – 10 years
Furniture and other equipment	5 – 10 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Long-Term Debt

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures.

Compensated Absences

The School District's policies regarding compensated absences permits employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term debt in the district-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Deferred Revenues

In the district-wide statements, deferred revenue is recognized when cash, receivables or other assets are received prior to their being earned. In the governmental fund statements, deferred revenue is recognized when revenue is unearned or unavailable.

Equity Classification

District-Wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in Capital Assets, Net of Related Debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted Net Assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions of enabling legislation.
- c. Unrestricted Net Assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated, if appropriate.

Revenues

District-Wide Statements

In the district-wide Statement of Activities, revenues are segregated by activity (governmental or business-type), and are classified as either a program revenue or a general revenue. Program revenues include charges to customers or applicants for goods or services, operating grants and contributions and capital grants and contributions. General revenues include all revenues, which do not meet the criteria of program revenues and include revenues such as State funding and interest earnings.

Fund Statements

In the governmental fund statements, revenues are reported by source, such as federal sources, state sources and charges for services. Revenues consist of general purpose revenues and restricted revenues. General purpose revenues are available to fund any activity reported in that fund, while restricted revenues are available for a specific purpose or activity and the restrictions are typically required by law or a grantor agency. When both general purpose and restricted revenues are available for use, it is the School District’s policy to use the restricted resources first.

Property Taxes

Property taxes are levied on July 1 and December 1, on behalf of the District by various taxing units and are payable without penalty by September 1 and February 28. The District recognizes property tax revenue when levied to the extent they result in current receivables (collected within sixty days of the end of the fiscal year.) Property taxes that are not collected within sixty days of the end of the fiscal year are recognized as revenue when collected.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Expenses/Expenditures

District-Wide Statements

In the district-wide Statement of Activities, expenses are segregated by activity (governmental or business-type), and are classified by function.

Fund Statements

In the governmental fund financial statements, expenditures are classified by character such as current operations, debt service and capital outlay.

Interfund Activity

As a general rule, the effect of interfund activity has been eliminated from the district-wide statements. Exceptions to this rule are (1) activities between funds reported as governmental activities and funds reported as business-type activities; and (2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct cost and program revenues for the functions concerned.

In the fund financial statements, transfers represent flows of assets between funds without equivalent flows of assets in return or a requirement for repayment.

Interfund receivables and payables have been eliminated from the Statement of Net Assets.

Budgets and Budgetary Accounting

The School District follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is approved by the Board of Education.
- d. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Board of Education.
- e. All annual appropriations lapse at fiscal year end.

Use of Estimates

The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE C – DEPOSITS AND INVESTMENTS:

Cash Equivalents

The following is a reconciliation of cash and investments for both the unrestricted and restricted assets for the primary government from the Statement of Net Assets.

NOTE C – DEPOSITS AND INVESTMENTS (Continued):

	Primary Government	Total
Unrestricted:		
Cash and cash equivalents	\$313,416	\$313,416
TOTALS	\$313,416	\$313,416

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the School's deposits may not be returned to it. State law does not require and the School does not have a deposit policy for custodial credit risk. The carrying amounts of the School's deposits with financial institutions were \$313,416 and the bank balance was \$280,081. The bank balance is categorized as follows.

Amount insured by the FDIC	\$100,000
Amount uncollateralized and uninsured	180,081
	<u>\$280,081</u>

Investments

As of June 30, 2006, the School did not have any investments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the School's investments. The School does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Michigan statutes (Act 196, PA 1997) authorize the School to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

The School has no investment policy that would further limit its investment choices. Ratings are not required for the School's investment in U.S. Government Agencies or equity-type funds.

Concentration of Credit Risk

The School places no limit on the amount the School may invest in any one issuer. There were no investments subject to concentration of credit risk disclosure.

NOTE D – DUE FROM OTHER GOVERNMENTAL UNITS:

Amounts due from other governmental units consist of \$25,084 due from governmental units for the operation of special programs and grant projects.

NOTE E – ACCRUED LIABILITIES:

A summary of accrued liabilities at June 30, 2006 as follows:

	Governmental Activities
Accrued wages	\$27,457
Accrued health insurance	10,980
Accrued lieu of insurance	-
Accrued retirement	4,486
Accrued payroll taxes	2,100
	<u>\$45,023</u>

NOTE F – ACCRUED EMPLOYEE BENEFITS:

The School District accrues the liability for earned sick leave based on the termination method. The liability is accrued as the benefits are earned. The current labor agreements stipulate sick leave must be taken in order to be paid, except at retirement. Teachers and administration personnel have the option of being paid for one-half of accumulated sick leave days, up to a maximum of 180 accumulated days, or they may request payment of 1/10th of their final contract wage.

As of June 30, 2006, accrued employee benefits reported in the Statement of Net Assets consist of the following:

Sick Leave	\$ 1,095
Accrued Retirement	21,369
Total	<u>\$22,464</u>

NOTE G – CAPITAL ASSETS:

Capital asset activity of the School District's governmental activities was as follows:

	Balance June 30, 2005	Additions	Deductions	Balance June 30, 2006
Capital assets not being depreciated:				
Land	\$-	\$1,365	\$-	\$1,365
Construction in progress	-	-	-	-
Total Capital assets not being depreciated	<u>-</u>	<u>1,365</u>	<u>-</u>	<u>1,365</u>
Capital assets being depreciated:				
Land improvements	10,700	-	-	10,700
Buildings and additions	378,255	-	-	378,255
Equipment and furniture	-	5,753	-	5,753
School buses	100,924	-	-	100,924
Total Capital Assets	<u>489,879</u>	<u>5,753</u>	<u>-</u>	<u>495,632</u>
Less accumulated depreciation:				
Land improvements	(10,700)	-	-	(10,700)
Buildings and additions	(216,592)	(6,599)	-	(223,191)
Equipment and furniture	-	(767)	-	(767)
School buses	(57,374)	(6,700)	-	(64,074)
Total Accumulated Depreciation	<u>(284,666)</u>	<u>(14,066)</u>	<u>-</u>	<u>(298,732)</u>
CAPITAL ASSETS, NET	<u>\$205,213</u>	<u>\$ (6,948)</u>	<u>\$-</u>	<u>\$198,265</u>

Depreciation expense charged to supporting services was \$14,066.

NOTE H – STATE REVENUE:

The State of Michigan currently uses a foundation grant approach which provides for a specific annual amount of revenue per student based on a state wide formula. The foundation is funded from state and local sources. Revenue from state sources is primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2006, the foundation allowance was based on the weighted average of pupil membership counts taken in February and October of 2005.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period (currently the fiscal year) and is funded through 11 payments from October 2005 – August 2006.

The School District also received revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as deferred revenue.

NOTE I – INTERFUND RECEIVABLES AND PAYABLES:

AuTrain-Onota Public School District reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds. Interfund transactions resulting in interfund receivables and payables are as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
General	<u>\$ -</u>	School Service	<u>\$ -</u>

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

<u>Fund</u>	<u>Transfer Out</u>	<u>Fund</u>	<u>Transfer In</u>
General	<u>\$ 13,924</u>	School Service	<u>\$ 13,924</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE J – NON-MONETARY TRANSACTIONS:

The School District receives USDA donated food commodities for use in its food service program which are accounted for in the School Lunch Fund. The commodities are accounted for on the modified accrual basis and the related revenues and expenditures are recognized as commodities as utilized. The School District recognized \$2,910 during fiscal 2006 in revenues and expenditures for USDA commodities.

NOTE K – PROPERTY TAXES:

The taxable value of real and personal property located in the School District at December 31, 2005 totaled \$ 47,835,210 (\$ 18,400,234 designated as Homestead and \$ 29,434,976 designated as Non-Homestead). The total tax levied consists of 18.0000 mills for the General Fund.

NOTE L – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN:

Substantially all of the District's employees are eligible to participate in the statewide Michigan Public School Employees' Retirement System (MPERS), a multiple-employer, cost-sharing public employee retirement system. Effective January 1, 1987, Act 91 of the Public Acts of 1985 established a voluntary contribution to the Member Investment plan (MIP). Employees first hired before January 1, 1990, made a one-time irrevocable election to contribute to the tax deferred MIP. Employees first hired on or after January 1, 1990 will automatically be included in MIP.

Members in MIP may retire at any age after attaining thirty years of creditable service or at age sixty while still working with a minimum total of five years of creditable service and with credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is calculated using a formula of 1.5% of the average of the highest total earnings during a period of thirty-six consecutive calendar months (three years) multiplied by total years to the nearest tenth of a year of credited service.

Employees who did not elect the MIP option fall under the MPERS Basic Plan and may retire after attaining age sixty with ten or more years of credited service; or with thirty or more years of credited service; or attaining age fifty-five while still working at least fifteen but fewer than thirty years of credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date.

The retirement allowance is computed using a formula of 1.5% of the average of the highest total earnings during a period of sixty consecutive months (five years) multiplied by the total years to the nearest tenth of a year of credited service. The MPERS also provides death, disability, health, medical, dental, and vision and hearing insurance coverage. Benefits are established by state statute.

The MPERS also provides death, disability, health, medical, dental and vision and hearing insurance coverage. Benefits are established by State Statute.

The District was required by state statute to contribute 14.87% of covered compensation to the Plan through September 30, 2005 and 16.34% of covered compensation for the remainder of the year. The total amount contributed to the Plan for the year ended June 30, 2006 was \$58,173 which consisted of \$49,676 from the District and \$8,497 from employees electing the MIP option. These represent approximately 15.96% and 2.73% of covered payroll, respectively. The School District's contributions to MPERS for 2005 was \$7,695 and for 2004 \$8,229.

Payroll paid to employees covered by the System for the year ended June 30, 2006 was approximately \$189,902. The District's total payroll was approximately \$215,665.

Other Post-Employment Benefits

In addition to pension benefits, MPERS provides comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A significant portion of the premium is paid by MPERS with the balance deducted from the monthly pension of the retiree. The portion provided by MPERS is factored into the pension contribution rate.

NOTE L – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN (Continued):

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan. MPSERS' issues a publicly available financial report that includes financial statements and required supplementary information for the system. More information may be obtained by writing MPSERS at MPSERS, P.O. Box 30673, Lansing, Michigan 48909-8173.

NOTE M – CONTINGENT LIABILITIES:Grant Assistance

The School District has received significant assistance from federal and state agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and are subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the School District.

Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The School District was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The School District joined together with other units and created a public entity risk pool currently operating as a common risk management and insurance program. The School District pays an annual premium to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$500,000 for each insured event.

The School District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The School District is unable to provide an estimate of the amounts of additional assessments that may be required to make the pool self-sustaining.

NOTE N – ECONOMIC DEPENDENCY:

The School District receives approximately 5 percent of its revenues through State and Federal sources to be used for providing elementary and secondary education to the students of AuTrain-Onota Public School District.

NOTE O – LONG-TERM OBLIGATIONS:

A summary of long-term obligations at June 30, 2006, and transactions related thereto for the year then ended is as follows:

	Balance July 1, 2005	Additions	Reductions	Balance June 30, 2006
School Bus Loan	\$28,203	\$-	\$14,518	\$13,685
Copier – Lease Purchase	-	5,752	2,875	2,877
Subtotal	28,203	5,752	17,393	16,562
Employee Benefits – Sick and Vacation Leave	4,173	18,291	-	22,464
TOTAL LONG-TERM DEBT	\$32,376	\$24,043	\$17,393	\$39,026

NOTE O – LONG-TERM OBLIGATIONS (Continued):

School Bus Loan June 30, 2006			
School Year	February 15		Total
	Interest	Principal	
2006-2007	\$520	\$13,686	\$14,206

The School Bus Loan (\$53,600) dated January 1, 2004 mature annually on February 15, with interest at a rate of 3.8% per annum.

Copier – Lease Purchase June 30, 2006			
School Year	May 1		Total
	Interest	Principal	
2006-2007	\$ -	\$ 2,877	\$ 2,877

The Copier lease purchase (\$5,752) dated January 1, 2006 mature semi-annually on February and August 15 of 2006.

NOTE P – EXCESS OF ACTUAL EXPENDITURES OVER BUDGET IN INDIVIDUAL FUNDS:

The following funds had an excess of actual expenditures over appropriations for the year ended June 30, 2006:

	Excess Expenditures
General Fund:	
Instruction:	
Compensatory Education	\$203
Support Services:	
Improvement of Instruction	70
School Administration	632
Community Services	
Recreation	18
Other	1,101

REQUIRED SUPPLEMENTAL INFORMATION

AuTrain-Onota Public School District

General Fund

Budgetary Comparison Schedule

For the Year Ended June 30, 2006

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original Budget to Final Budget	Final Budget to Actual
REVENUES:					
Local sources	\$ 553,181	\$ 601,738	\$ 605,646	\$ 48,557	\$ 3,908
State sources	17,876	36,730	33,856	18,854	(2,874)
Federal sources	3,690	31,000	31,892	27,310	892
TOTAL REVENUES	574,747	669,468	671,394	94,721	1,926
EXPENDITURES:					
Instruction:					
Basic Instruction	276,276	256,189	256,064	20,087	125
Special Education	38,562	57,185	57,337	(18,623)	(152)
Total Instruction	314,838	313,374	313,401	1,464	(27)
Supporting Services:					
Pupil Supporting Services	6,775	4,054	4,054	2,721	-
Instructional Supporting Services	2,646	4,867	4,936	(2,221)	(69)
General Administration	69,871	70,461	70,578	(590)	(117)
Business Support	42,151	44,521	41,790	(2,370)	2,731
Operation and Maintenance	71,230	73,758	73,587	(2,528)	171
Pupil Transportation	82,365	80,125	80,083	2,240	42
Central Services	2,661	2,673	2,548	(12)	125
Total Supporting Services	277,699	280,459	277,576	(2,760)	2,883
Community Services:					
Direction	4,903	5,161	5,017	(258)	144
Recreation	-	1,091	1,109	(1,091)	(18)
Activities	-	3,807	3,807	(3,807)	-
Other	-	200	1,301	(200)	(1,101)
Total Community Services	4,903	10,259	11,234	(5,356)	(975)
Payments to Others					
MARESA - special education	13,000	6,500	4,771	6,500	1,729
Total Payments to Others	13,000	6,500	4,771	6,500	1,729
TOTAL EXPENDITURES	610,440	610,592	606,982	(152)	3,610
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(35,693)	58,876	64,412	94,569	5,536
OTHER FINANCING SOURCES (Uses)					
Transfers out	(12,825)	(14,829)	(13,924)	(2,004)	905
NET CHANGE IN FUND BALANCE	(48,518)	44,047	50,488	92,565	6,441
Fund Balance, July 1	223,910	223,910	223,910	-	-
FUND BALANCE, JUNE 30	\$ 175,392	\$ 267,957	\$ 274,398	\$ 92,565	\$ 6,441

OTHER SUPPLEMENTAL INFORMATION

AuTrain-Onota Public School District

General Fund

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual**

For the Year Ended June 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Local Sources:			
Property tax levy	\$ 537,383	\$ 537,451	\$ 68
National forest reserve	27,274	27,274	-
Income from investments	7,900	10,099	2,199
Medicaid fee for service	1,977	1,754	(223)
USF contribution	10,500	10,460	(40)
Miscellaneous grants	3,547	3,595	48
County special education	6,738	6,738	-
Other local revenue	6,419	8,275	1,856
Total Local Sources	<u>601,738</u>	<u>605,646</u>	<u>3,908</u>
State Sources:			
Restricted - received through the state			
Michigan school readiness	20,896	18,020	(2,876)
Special education	15,641	15,643	2
Restricted - received through the MARESA			
Miscellaneous grants	193	193	-
Total State Sources	<u>36,730</u>	<u>33,856</u>	<u>(2,874)</u>
Federal Sources:			
Restricted - received through the federal government:			
REAP	13,024	13,159	135
Restricted - received through the state:			
Strong families, safe children	5,951	5,951	-
Fresh fruit and vegetable	440	440	-
Title I, Part A	2,368	2,368	-
Title V, Part A	213	213	-
Title II, Part A	4,812	4,462	(350)
Title II, Part D	44	44	-
Restricted - received through others:			
Michigan state police	200	1,301	1,101
MARESA	1,570	1,570	-
MCISD	2,378	2,384	6
Total Federal Sources	<u>31,000</u>	<u>31,892</u>	<u>892</u>
TOTAL REVENUES	<u>669,468</u>	<u>671,394</u>	<u>1,926</u>

EXPENDITURES:

Instruction:

Basic Instruction:

Elementary

Salaries	142,367	142,562	(195)
Employee benefits	82,657	82,321	336

AuTrain-Onota Public School District

General Fund

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual**

For the Year Ended June 30, 2006

	Final Budget	Actual	Variance Favorable (Unfavorable)
Purchased services	\$ 540	\$ 540	\$ -
Supplies and materials	7,565	7,538	27
Capital outlay	60	60	-
Other expense	-	-	-
Total Elementary	<u>233,189</u>	<u>233,021</u>	<u>168</u>
Pre-School			
Salaries	13,800	13,800	-
Employee benefits	8,832	8,875	(43)
Purchased services	53	53	-
Supplies and materials	315	315	-
Capital outlay	-	-	-
Other expense	-	-	-
Total Pre-School	<u>23,000</u>	<u>23,043</u>	<u>(43)</u>
Total Basic Instruction	<u>256,189</u>	<u>256,064</u>	<u>125</u>
Added Needs			
Special Education			
Salaries	32,057	32,054	3
Employee benefits	7,692	7,644	48
Purchased services	-	-	-
Supplies and materials	156	156	-
Capital outlay	-	-	-
Other expense	-	-	-
Total Special Education	<u>39,905</u>	<u>39,854</u>	<u>51</u>
Compensatory Education			
Salaries	11,483	11,639	(156)
Employee benefits	4,551	4,598	(47)
Purchased services	-	-	-
Supplies and materials	1,246	1,246	-
Capital outlay	-	-	-
Other expense	-	-	-
Total Compensatory Education	<u>17,280</u>	<u>17,483</u>	<u>(203)</u>
Total Added Needs	<u>57,185</u>	<u>57,337</u>	<u>(152)</u>
TOTAL INSTRUCTION	<u>313,374</u>	<u>313,401</u>	<u>(27)</u>
Supporting Services:			
Pupil Supporting Services			
Pupil Support			
Salaries	-	-	-
Employee benefits	-	-	-
Purchased services	50	50	-

AuTrain-Onota Public School District

General Fund

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual**

For the Year Ended June 30, 2006

	Final Budget	Actual	Variance Favorable (Unfavorable)
Supplies and materials	\$ 129	\$ 129	\$ -
Capital outlay	-	-	-
Other expense	-	-	-
Total Pupil Support	<u>179</u>	<u>179</u>	<u>-</u>
Speech Therapist			
Salaries	-	-	-
Employee benefits	-	-	-
Purchased services	3,875	3,875	-
Supplies and materials	-	-	-
Capital outlay	-	-	-
Other expense	-	-	-
Total Speech Therapist	<u>3,875</u>	<u>3,875</u>	<u>-</u>
Total Pupil Supporting Services	<u>4,054</u>	<u>4,054</u>	<u>-</u>
Instructional Support Services			
Improvement of Instruction			
Salaries	1,691	1,696	(5)
Employee benefits	399	399	-
Purchased services	1,225	1,306	(81)
Supplies and materials	160	144	16
Capital outlay	-	-	-
Other expense	-	-	-
Total Improvement of Instruction	<u>3,475</u>	<u>3,545</u>	<u>(70)</u>
Education Media			
Salaries	-	-	-
Employee benefits	-	-	-
Purchased services	-	-	-
Supplies and materials	855	854	1
Capital outlay	-	-	-
Other expense	-	-	-
Total Education Media	<u>855</u>	<u>854</u>	<u>1</u>
Technology Assisted			
Salaries	-	-	-
Employee benefits	-	-	-
Purchased services	-	-	-
Supplies and materials	388	388	-
Capital outlay	-	-	-
Other expense	-	-	-
Total Technology Assisted	<u>388</u>	<u>388</u>	<u>-</u>

AuTrain-Onota Public School District

General Fund

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual**

For the Year Ended June 30, 2006

	Final Budget	Actual	Variance Favorable (Unfavorable)
Supervision and Direction			
Salaries	\$ -	\$ -	\$ -
Employee benefits	-	-	-
Purchased services	149	149	-
Supplies and materials	-	-	-
Capital outlay	-	-	-
Other expense	-	-	-
Total Supervision and Direction	149	149	-
Total Instructional Support Services	4,867	4,936	(69)
General Administration Support Services			
Board of Education:			
Salaries	-	-	-
Employee benefits	-	-	-
Purchased services	10,321	9,806	515
Supplies and materials	-	-	-
Capital outlay	-	-	-
Other expense	949	949	-
Total Board of Education	11,270	10,755	515
School Administration:			
Salaries	36,792	37,518	(726)
Employee benefits	20,111	20,126	(15)
Purchased services	1,083	956	127
Supplies and materials	395	394	1
Capital outlay	-	-	-
Other expense	810	829	(19)
Total School Administration	59,191	59,823	(632)
Total General Administration Support Services	70,461	70,578	(117)
Business Support Services			
Fiscal Services			
Salaries	14,937	13,183	1,754
Employee benefits	12,526	12,103	423
Purchased services	2,398	2,398	-
Supplies and materials	-	-	-
Capital outlay	-	-	-
Other expense	-	-	-
Total Fiscal Services	29,861	27,684	2,177
Internal Services			
Salaries	728	724	4
Employee benefits	175	173	2
Purchased services	2,382	1,834	548

AuTrain-Onota Public School District

General Fund

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual**

For the Year Ended June 30, 2006

	Final Budget	Actual	Variance Favorable (Unfavorable)
Supplies and materials	\$ 394	\$ 394	\$ -
Capital outlay	2,876	2,876	-
Other expense	-	-	-
Total Internal Services	6,555	6,001	554
Other Business Services			
Salaries	-	-	-
Employee benefits	-	-	-
Purchased services	1,944	1,944	-
Supplies and materials	-	-	-
Capital outlay	-	-	-
Other expense	6,161	6,161	-
Total Other Business Services	8,105	8,105	-
Total Business Support Services	44,521	41,790	2,731
Operations and Maintenance			
Operation and Maintenance:			
Salaries	19,574	19,295	279
Employee benefits	4,556	4,719	(163)
Purchased services	27,958	27,905	53
Supplies and materials	20,302	20,300	2
Capital outlay	1,200	1,200	-
Other expense	-	-	-
Total Operations and Maintenance	73,590	73,419	171
Security			
Salaries	-	-	-
Employee benefits	-	-	-
Purchased services	168	168	-
Supplies and materials	-	-	-
Capital outlay	-	-	-
Other expense	-	-	-
Total Security	168	168	-
Total Operations and Maintenance	73,758	73,587	171
Pupil Transportation:			
Salaries	18,866	18,706	160
Employee benefits	23,610	23,610	-
Purchased services	16,180	16,357	(177)
Supplies and materials	7,217	7,158	59
Capital outlay	14,206	14,206	-
Other expense	46	46	-
Total Pupil Transportation	80,125	80,083	42

AuTrain-Onota Public School District

General Fund

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual**

For the Year Ended June 30, 2006

	Final Budget	Actual	Variance Favorable (Unfavorable)
Central Support			
Central Support Services			
Salaries	\$ -	\$ -	\$ -
Employee benefits	-	-	-
Purchased services	70	70	-
Supplies and materials	-	-	-
Capital outlay	-	-	-
Other expense	-	-	-
Total Central Support Services	70	70	-
Pupil Accounting			
Salaries	1,379	1,278	101
Employee benefits	1,224	1,200	24
Purchased services	-	-	-
Supplies and materials	-	-	-
Capital outlay	-	-	-
Other expense	-	-	-
Total Pupil Accounting	2,603	2,478	125
Total Central Support	2,673	2,548	125
TOTAL SUPPORTING SERVICES	280,459	277,576	2,883
Community Services:			
Direction			
Salaries	677	677	-
Employee benefits	157	155	2
Purchased services	-	-	-
Supplies and materials	4,327	4,185	142
Capital outlay	-	-	-
Other expense	-	-	-
Total Direction	5,161	5,017	144
Recreation			
Salaries	330	330	-
Employee benefits	75	75	-
Purchased services	-	-	-
Supplies and materials	686	704	(18)
Capital outlay	-	-	-
Other expense	-	-	-
Total Recreation	1,091	1,109	(18)
Activities			
Salaries	627	627	-
Employee benefits	147	146	1

AuTrain-Onota Public School District

General Fund

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual**

For the Year Ended June 30, 2006

	Final Budget	Actual	Variance Favorable (Unfavorable)
Purchased services	\$ 205	\$ 206	\$ (1)
Supplies and materials	2,243	2,243	-
Capital outlay	540	540	-
Other expense	45	45	-
Total Activities	<u>3,807</u>	<u>3,807</u>	<u>-</u>
Other			
Salaries	-	-	-
Employee benefits	-	-	-
Purchased services	-	-	-
Supplies and materials	-	-	-
Capital outlay	-	-	-
Other expense	200	1,301	(1,101)
Total Other	<u>200</u>	<u>1,301</u>	<u>(1,101)</u>
TOTAL COMMUNITY SERVICES	<u>10,259</u>	<u>11,234</u>	<u>(975)</u>
Payments to Others			
MARESA - special education	<u>6,500</u>	<u>4,771</u>	<u>1,729</u>
TOTAL PAYMENTS TO OTHERS	<u>6,500</u>	<u>4,771</u>	<u>1,729</u>
TOTAL EXPENDITURES	<u>610,592</u>	<u>606,982</u>	<u>3,610</u>
EXCESS REVENUES (EXPENDITURES)	<u>58,876</u>	<u>64,412</u>	<u>5,536</u>
Other Financing Sources (Uses):			
Transfers Out:			
Lunch fund	<u>(14,829)</u>	<u>(13,924)</u>	<u>905</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(14,829)</u>	<u>(13,924)</u>	<u>905</u>
NET CHANGE IN FUND BALANCE	<u>44,047</u>	<u>50,488</u>	<u>6,441</u>
Fund Balance, July 1	<u>223,910</u>	<u>223,910</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u>\$ 267,957</u>	<u>\$ 274,398</u>	<u>\$ 6,441</u>

AuTrain-Onota Public School District

School Lunch Fund

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual**

For the Year Ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
School lunch activities	\$ 4,773	\$ 4,773	\$ -
State aid	2,448	2,448	-
Federal sources			
Hot lunch	9,143	9,403	260
Fresh fruit and vegetables	3,960	3,849	(111)
USDA entitlements	2,200	2,706	506
USDA bonus	250	204	(46)
TOTAL REVENUES	<u>22,774</u>	<u>23,383</u>	<u>609</u>
EXPENDITURES:			
School lunch activities:			
Salaries	19,504	19,504	-
Fringe benefits	4,749	4,747	2
Purchased services	535	635	(100)
Supplies and materials	9,385	9,010	375
Capital outlay	3,329	3,329	-
Other expense	101	101	-
TOTAL EXPENDITURES	<u>37,603</u>	<u>37,326</u>	<u>277</u>
EXCESS REVENUES (EXPENDITURES)	(14,829)	(13,943)	886
OTHER FINANCING SOURCES:			
Operating transfer in	14,829	13,924	(905)
NET CHANGE IN FUND BALANCE	-	(19)	(19)
Fund Balance, July 1	-	19	(19)
FUND BALANCE, JUNE 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (38)</u>

COMPLIANCE SECTION



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

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ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE

WISCONSIN
GREEN BAY
MILWAUKEE

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

AuTrain-Onota Public School District
PO Box 105
Deerton, Michigan, 49822

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the AuTrain-Onota Public School District as of and for the year ended June 30, 2006, which collectively comprise the AuTrain-Onota Public School District's basic financial statements and have issued our report thereon dated September 29, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the AuTrain-Onota Public School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the AuTrain-Onota Public School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*. These instances can be found in a separate letter to management dated September 29, 2006.

This report is intended solely for the information and use of the audit committee, management, and Board of Education and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

September 29, 2006



ANDERSON, TACKMAN & COMPANY, P.L.C.

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MILWAUKEE

Autrain-Onota Public School District

*Report to Management Letter
For the Year Ended June 30, 2006*

Board of Education
Autrain-Onota Public School District
PO Box 105
Deerton, Michigan 49822

In planning and performing our audit of the financial statements of the Autrain-Onota Public School District for the year ended June 30, 2006; we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could affect the Autrain-Onota Public School District's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

Excess Expenditures Over Appropriations

06-01 Condition/Criteria: Public Act 621 of 1978, Section 18 (1) as amended, provides that schools shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the District's actual expenditures and budgeted expenditures for the General Fund and Special Revenue Funds have been shown on a functional basis. The approved budgets of the District for these funds were adopted on an activity and/or program level. During the year ended June 30, 2006, the District incurred functional expenditures which were in excess of the amounts appropriated as shown within the basic financial statements.

Effect: The District is not in compliance with State Law.

Cause of Condition: Failure to amend the budgets during the year based on the level of expenditures.

Recommendation: The District should strictly control expenditures in each governmental fund so as not to exceed the original appropriation. When this is not possible, the budget should be amended accordingly.

Board of Education
Autrain-Onota Public School District

Management Response – Corrective Action Plan: The budget will be more closely monitored and budget amendments will be made accordingly.

* * * * *

This report is intended solely for the information and use of the Autrain-Onota Public School District's board, management, and other legislative or regulatory body and is not intended to be and should not be and should not be used by anyone other than these specified parties.

We appreciate and would like to thank the Autrain-Onota Public School District's staff for the cooperation and courtesy extended to us during our audit. We would be pleased to discuss any comments or answer any questions regarding our audit with you at your convenience.

Anderson, Tackman & Company, PLC
Certified Public Accountants

September 29, 2006



ANDERSON, TACKMAN & COMPANY, P.L.C.

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MILWAUKEE

September 29, 2006

To the Honorable President and School Board
Of AuTrain-Onota Public School District
PO Box 105
Deerton, MI 49822

We have audited the financial statements of the AuTrain-Onota Public School District for the year ended June 30, 2006, and has issued our report thereon dated September 29, 2006. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the AuTrain-Onota Public School District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatements, we performed test of the AuTrain-Onota Public School District's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management is responsible for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of the accounting policies and their application. The significant accounting policies used by the AuTrain-Onota Public School District are described in Footnotes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the AuTrain-Onota Public School District during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance

To the Honorable President and School Board
Of AuTrain-Onota Public School District

to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the AuTrain-Onota Public School District's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the AuTrain-Onota Public School Districts, either individually or in the aggregate, indicate matters that could have a significant effect on the AuTrain-Onota Public School District's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the AuTrain-Onota Public School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in the performance of our audit.

Conclusion

This information is intended solely for the use of the AuTrain-Onota Public School District Board and management and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants